



# House of Representatives

General Assembly

**File No. 214**

February Session, 2012

Substitute House Bill No. 5229

*House of Representatives, April 2, 2012*

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT EXEMPTING CERTAIN ASSOCIATIONS FROM THE INSURANCE STATUTES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-625 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2012*):

3 (a) Nothing contained in sections 38a-595 to 38a-626, inclusive, as  
4 amended by this act, 38a-631 to 38a-640, inclusive, and 38a-800 shall be  
5 so construed as to affect or apply to: [(a)] (1) Grand or subordinate  
6 lodges of societies, orders or associations doing business in this state  
7 on January 1, 1958, [which] that provide benefits exclusively through  
8 local or subordinate lodges; [(b)] (2) [orders,] societies, orders or  
9 associations [which] that admit to membership only persons engaged  
10 in one or more crafts or hazardous occupations, in the same or similar  
11 lines of business, and the ladies' societies or ladies' auxiliaries to such  
12 [orders,] societies, orders or associations; [(c)] (3) domestic societies  
13 [which] that limit their membership to employees of a particular city  
14 or town, designated firm, business house or corporation, [which] that

15 provide for a death benefit of not more than four hundred dollars or  
16 disability benefits of not more than three hundred fifty dollars to any  
17 person in any one year, or both; [(d)] (4) domestic societies or  
18 associations of a purely religious, charitable or benevolent description,  
19 [which] that provide for a death benefit of not more than four hundred  
20 dollars or for disability benefits of not more than three hundred fifty  
21 dollars to any one person in any one year or both; [or (e)] (5) nonprofit  
22 voluntary associations [which] that provide ambulance service [,] and  
23 are financed by subscription or gifts only; or (6) on and after July 1,  
24 2012, and until July 1, 2015, associations that are tax-exempt  
25 organizations under Section 501(c)(23) of the Internal Revenue Code of  
26 1986, or any subsequent corresponding internal revenue code of the  
27 United States, as amended from time to time.

28 (b) Any such society or association described in subdivision [(c)] (3)  
29 or [(d)] (4) of subsection (a) of this section, [which] that provides for  
30 death or disability benefits for which benefit certificates are issued, and  
31 any such society or association included in subdivision [(d) which] (4)  
32 of subsection (a) of this section that has more than one thousand  
33 members, shall not be [exempted] exempt from the provisions of  
34 sections 38a-595 to 38a-626, inclusive, as amended by this act, 38a-631  
35 to 38a-640, inclusive, and 38a-800 but shall comply with all  
36 requirements [hereof] in said sections. No society [which] that, by the  
37 provisions of this section, is exempt from the requirements of said  
38 sections, except any society described in subdivision [(b)] (2) of  
39 subsection (a) of this section, shall give or allow, or promise to give or  
40 allow, to any person any compensation for procuring new members.  
41 Every society [which] that provides for benefits in case of death or  
42 disability resulting solely from accidents, and [which] that does not  
43 obligate itself to pay natural death or sick benefits, shall have all the  
44 privileges and be subject to all the applicable provisions and  
45 regulations of said sections, except that the provisions [hereof] in said  
46 sections relating to medical examination, valuations of benefit  
47 certificates and incontestability shall not apply to such society. The  
48 commissioner may require from any society or association, by  
49 examination or otherwise, such information as will enable [him] the

50 commissioner to determine whether such society or association is  
 51 exempt from the provisions of said sections. Societies [.] exempted  
 52 under the provisions of this section [.] shall also be exempt from all  
 53 other provisions of the insurance laws of this state. On and after July 1,  
 54 2012, and until July 1, 2015, associations exempted under the  
 55 provisions of subdivision (6) of subsection (a) of this section shall also  
 56 be exempt from all other provisions of the insurance laws of this state.

57 Sec. 2. Section 38a-595 of the general statutes is repealed and the  
 58 following is substituted in lieu thereof (*Effective July 1, 2012*):

59 Any incorporated society, order or supreme lodge, without capital  
 60 stock, including one exempted under subdivision [(b)] (2) of subsection  
 61 (a) of section 38a-625, as amended by this act, whether incorporated or  
 62 not, conducted solely for the benefit of its members and their  
 63 beneficiaries and not for profit, operated on a lodge system with  
 64 ritualistic form of work, having a representative form of government,  
 65 and [which] that makes provision for the payment of benefits in  
 66 accordance with sections 38a-595 to 38a-626, inclusive, as amended by  
 67 this act, 38a-631 to 38a-640, inclusive, and 38a-800, is declared to be a  
 68 fraternal benefit society. When used in sections 38a-595 to 38a-626,  
 69 inclusive, as amended by this act, 38a-631 to 38a-640, inclusive and  
 70 38a-800, "society", unless otherwise indicated, means fraternal benefit  
 71 society and "premiums" means premiums, rates or other required  
 72 contributions by whatever name known.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	38a-625
Sec. 2	<i>July 1, 2012</i>	38a-595

**INS**            *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note******State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill grants an exemption from the insurance statutes for tax-exempt companies organized before 1880. The one company to which this provision applies already falls outside the jurisdiction of Department of Insurance, so there is no state fiscal impact.

***The Out Years******State Impact:*** None***Municipal Impact:*** None

**OLR BILL ANALYSIS****sHB 5229*****AN ACT EXEMPTING CERTAIN ASSOCIATIONS FROM THE INSURANCE STATUTES.*****SUMMARY:**

This bill exempts Internal Revenue Code § 501(c) (23) tax-exempt organizations from all Connecticut insurance laws from July 1, 2012 to July 1, 2015.

EFFECTIVE DATE: July 1, 2012

**BACKGROUND*****501(c)(23) Organizations***

To be tax-exempt under Internal Revenue Code § 501(c) (23), an organization must:

1. have a principal purpose of providing insurance and other benefits to veterans or their dependents.
2. have more than 75% of its members be past or present members of the U.S. Armed Forces; and
3. be an association organized before 1880;

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/15/2012)